



**Ford Motor Company
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- Dan Levy: Thanks everyone as we continue day one of the Barclays Global Auto and Mobility Conference. Very pleased to have with us Sherry House, Ford Motor Company CFO. Also sitting here is Lynn Tyson in IR and Grace in IR. And so this has actually been a very interesting year for yourselves and for the broader US OEM complex, just given tariffs and the way you've actually demonstrated some resiliency to those earnings. So I think a lot to unpack here. So what I'll do is I'll go through a series of fireside chat-style questions. Anyone who has questions toward the end, we can take some Q&A. But let's kick it off and maybe I think just from a very near-term perspective, because I think what's been the focus of a lot of people on the near-term basis has been this Novelis issue, the fire, which you said was ninety to a hundred thousand units of lost volume on the F-Series side. Maybe you can just talk about the latest update there, gating factors on volume recovery, etc.
- Sherry House: Yeah, sure. Well, thank you very much. And it's great to be here with you, too, and so thank you. So the Novelis fires we reported in the Q3 earnings. We were expecting it to be about a ninety to a hundred thousand unit impact in Q4. So that does mean that our Q4 adjusted EBIT that would be impacted, we're estimating, by one and a half to two billion dollars. Now the story doesn't stop there. We do think that as you move into 2026, we are putting very detailed plans in place to be able to make up a lot of that volume. At this point, we have line of sight to making up about 50,000 units. And the way that we're doing that is really a couple fold. We are both looking at adding a third shift to our Dearborn truck plant, and we're also looking at increasing the line speed in our Kentucky plant. So these are some of the things that we are doing in order to be able to combat that situation. At this point, we are still on track with the hot mill, which is the part of the factory that was impacted, to be coming on board as we're getting into Thanksgiving and into early December. And so you're going to start to see a ramp up of that mill again as you're in December. But the recovery of this is really going to be more of a Q1 and throughout 2026 activity. So we're doing all the things that you would expect us to be doing. We're checking with the supply chain, we've done 100% checks to make sure we're able to get the parts in that we need, we're stockpiling where that's required, warehousing where required to make sure that we're going to be able to recover as much as possible as we get into 2026.
- Dan Levy: Thank you. And maybe just a point of clarification. I think what may have confused some people is you you're losing ninety to a hundred thousand units, but you're adding incremental capacity. But I think the guidance you gave is you'll only get fifty back. So the reason why you're only getting fifty back, even though you're adding capacity, is because there's still supply constraints and it's a difference on engine variants. So maybe you could just help unpack or clarify on that point.
- Sherry House: Well, there's lots of factors at play. There's line speed, there's the capacity of a single shift, it's the availability of parts, and so yes, we're managing all of those items. And you know, the hope is that we'll be able to creep up a bit from that, but those are the main boundary constraints to it being larger than fifty. So right now for the foreseeable future, we are planning on having that third shift in the Dearborn truck plant.
- Dan Levy: Okay. Why don't we pivot to more of the outlook on '26? You gave us some breadcrumbs, thank you. So I think you gave us some broad parameters, but maybe we could just start first with let's just set the stage on how you look at the industry environment right now. Because I think there's been a lot of debate on what the go-



forward industry looks like. We've had a lot of pull forward, there's been a lot of noise in SAAR and pricing, relative to the tariffs. So help us maybe just start how you're looking at the industry environment right now. I know we're still two months out. You know, can we keep volume steady? Is flat price a reasonable expectation? How do we look at the industry environment where we stand today?

Sherry House: OK, well, first off, I'd be remiss if I didn't comment on our October sales. Our October sales were up over 1.6%, and we had increase of share that was almost one full point. That is despite the industry in October going down by 5%. So Ford has continued to be strong despite a lot of the pullback that we have seen in EVs. As we exit this year, we think that this year is probably going to be in the range of US SAAR of about 16.8 million.

Dan Levy: And that's with heavy, just to clarify. Because I think a lot of us look at it on a light vehicle basis. That includes medium-heavy, correct?

Sherry House: Yes. And so that is how we're thinking about it as you're exiting the year. We're not in a position yet to report what we're thinking going into 2026, other than all signals have suggested that we're going to continue to have some robustness to our industry. And Ford in particular is coming off eight straight quarters of increased sales, and that's a testament to the strength of our product lineup, the fact that we're giving our customers choice, and so we do continue to see that as we move forward into the early part of next year.

Dan Levy: How are you feeling about the competitive dynamic, because pricing has been very resilient, but we know that there's a few moving pieces, or maybe there's some tariff cost that's been passed on in the model year twenty six pricing. There is some incremental capacity that's coming online from yourselves in competition next year or '27. What is the- how would you frame the broad pricing environment right now?

Sherry House: So right now, I would say that we see pricing for the full year up about a half a point.

Dan Levy: For the industry?

Sherry House: For the industry, that's right. We see it up about a half a point for the industry. Now, if you break that down, it isn't the same in every area. So we see a little bit more pressure in the commercial, and then we see more strength in the retail. But as we go forward, the way that we look at our business is really segment by segment, channel by channel, product by product, and we're looking at where are there dislocations, where are there opportunities for us to price, lean into pricing more. So for instance, with the new tariffs on the heavy duty trucks, all of our trucks are already here in the United States. So that is going to enable us, they're in Ohio, they're in Kentucky Truck. So this is going to enable us to be in a better position as our competitors have to take on some of those additional tariffs, for instance. So we think that there's going to be pockets where you're going to see these pricing opportunities that are going to present themselves. And we'll have the opportunity to decide, do you want to lean into volume? Do you want to lean into price?

Dan Levy: And just- sorry, just to double click on one of the comments there on the commercial side fleet, Pro, because I think you talked about there were some pressures in Pro related to contracts that had turned over. When do we lap those, I'd say more difficult comps on the Pro side and some of that commercial pricing that, you know, contractually changed?

Sherry House: Well, I would say that the way that we kind of look at Pro is you've got the small and medium business, you've got the rental business, you've got the government business. And we've been seeing a lot more pressure on the government and the rental here recently. And we do think that over time that may come back, some of it with the government shutdown you see. You also see secondary impacts in the rental industry with the government shutdown that happened because there's less



government employees that were traveling. So that then is less pull on the rental market as well. So it's a complicated market. I think that over time, that there will be some improvement, but we have seen this pressure, particularly on pricing, some hold off on transactions occurring that can only hold off for so long.

Dan Levy: Yeah, in inventory, you're right now on a published basis using the third party data, 84 days. I think that's probably on your basis, more like 75 to 80. I think you gave this target a 55 to 59 days and exiting the year. That's still on track?

Sherry House: Yeah, so you're right. We were at I think 545,000 gross stock units, which was at the eighty-four days, and our retail days were down around 71. Now from where we started the year, that was 628,000 units in in grow stocks. And so we're down about 12%. We do think that inventories are going to continue to come down because of the Novelis impact and also the increased December sales cycle that you tend to see. So we think that we're going to continue to bring that down slightly as we exit December.

Dan Levy: Okay, great. Why don't we pivot to cost and perhaps you can help us clarify. You gave a \$1 billion number of improvement next year. That's a gross basis because we know there's some investment that you have to do that'll net out again and you'll disclose that. But that \$1 billion, you know, is that mostly warranty and material? Just help us understand what's going on there.

Sherry House: Yeah, it's part of a greater trend that's happening within our business right now. So you'll recall that we just hit our fifth straight quarter of year over year cost improvements. And this year, we're still on track to have a net cost improvement of \$1 billion. The largest composition of that is going to be material cost, followed by warranty and also freight and duty. As we go into 2026, that good work that we've put in action, the work that we're doing to get lower design costs, we're being really careful not to overdesign, not to over-content, and also not to overpay. And we've got a lot of tactics and initiatives that are enabling that improvement. We're expecting that to continue as we move into 2026. We also see an improvement continued in warranty, particularly in warranty coverages, we think are going to continue to improve faster than the FSAs, so the Field Service Actions we think still are going to be there a little bit longer. You'll recall that our initial quality has been improving substantially. In fact, the JD Power 2025 initial quality study has us, Ford, as the most awarded brand. And so that's showing up in the improvements in coverages that we're expecting is going to happen again in '26 because we saw those coverages really come down across many of our products this year. The F-150 hybrid, it came down, it came down in the Escape, it came down in the Explorer. So we're expecting that again as you get into 2026. You are correct that we're expecting to continue to have about \$1 billion in cost improvements next year, but we have some accretive things that we want to go after, particularly on the ICE side, particularly on the hybrid side. And we think that it's going to behoove us as a company to take those dollars saved and invest them in accretive opportunities for the business.

Dan Levy: EVs, which we see and I think many see as really the largest change in the US industry, right? As you know, getting rid of the carrot, getting rid of the stick. So you and your other US OEM peers are- have had considerable EV losses. You're modeling, you're on track for call it, \$4 billion to \$5 billion dollars of losses this year. Maybe you can just help us unpack the opportunity to improve. And let's just maybe peel away at a few of these. So, first of all, I want to start with just the question on vehicle mix. How much opportunity is there? You talked about performance. How much opportunity is there for both fewer EVs, which are presumably at negative variable margins, as well as increased performance mix because there's a more favorable compliance environment?

Sherry House: Yeah, so I think that as we go forward into 2026, we're going to be watching first off the end of this year and what's going to be happening into November or December. We knew that October was going to be off from an EV sales perspective. But we're really going to be watching what's happening there. And then we're going to be



looking at how do we make adjustments going forward? And there'll be more, by the way, that we are going to report on this in the near future. But what I can share with you today is that I'd expect there to be contraction in the US EV market, particularly our sales, and us to lean more into some of the products that enable us to put, for instance, in our Mustangs, maybe a 5.0 liter engine instead of the 2.3 liter engine. I know that some people in the audience here just had a wonderful ride in some of our Raptors, and that's a product that I think that we're going to be doing a bit more of as well. We're going to be leaning into these products that are just passion products. I mean, these are vehicles that people love. And what's interesting about those products is what comes with them is more accessories as well. And so it becomes a bit of an ecosystem. It isn't just the product sale itself, but that in many ways becomes only the beginning of it. So yes, we'll be leaning more into mix where it's possible, but I don't think you're going to see this same effect in Europe as much because we're continuing to see the compliance requirements there. We've got a brand-new lineup of three EVs there. That is what has enabled us to nearly double our EV volume this year. And we've been able to keep losses the same, which means those products are more profitable than our, if you want to call it Gen 1A, which is you know our Lightning and our Mach E products.

Dan Levy: Okay. I want to unpack a comment that you made on the earnings call, which is of the year-to-date losses in your model E segment, three billion are on gen one products. Now some of this is Europe, which you just

Sherry House: And that's going to be Europe as well.

Dan Levy: Right. So some of that is Europe and so that will continue, but there are presumably some losses related to the US product, your Lightning, Mach E. How much of that can be paired back between whatever R&D is going into that as well as the fixed cost, where that footprint, you know, the realities on the need for that footprint are changing dramatically. And Lynn said I can't ask about impairments, so I won't. But how do we think about that \$3 billion and the pieces of that and what you can pull away?

Sherry House: Yeah. So clearly the US market sentiment is changing, the carrots and the sticks are changing as it relates to the US EV market. And so there's going to be, you know, realities there. We will share as and when it makes sense.

Dan Levy: Reg credits, six hundred million year to date?

Sherry House: Yeah, year-to-date, yeah, that's right.

Dan Levy: What's needed there in the future for reg credits and maybe how much of that is European versus US reg credits spent?

Sherry House: A very small portion of that is going to be European credits. I think you would be seeing quite a reduction with respect to the credit need as we go, global need as we go into 2026. What you also might remember is that we had in our disclosures that we had about 2.5 billion of regulatory credit opportunities to purchase. And so we think a large portion of that's going to go away, just like we already had it go from \$4.2B obligation down to the \$2.5B. We think you're going to see another dip as we get clarity on the CO2 emission policy here probably in the next six weeks.

Dan Levy: Okay. And then maybe just the last one and then I want to transition that to maybe a broader talk on or question on EV. UEV, which I think is probably a very critical product for you and I know you've talked about the existential need to get this product right. So let's just start. How significant of a resource outlay is this on UEV? Because you're clearly reallocating some spend from the core EV gen one to UEV, which is, you know, your next gen. How significant of a resource outlay is this?

Sherry House: Well, what's interesting is that this is one of our major bets. This is our Gen 2 platform. We are incredibly excited about it. It represents more than this first vehicle



that's coming out in 2027. This is going to be a platform. So as we outlay cash associated with that, you're going to see the ability to reuse a lot of that as we add additional top hats over time. Additionally, this is a really important program for Ford overall. It is teaching us to build vehicles differently. By us bringing together the designers and the manufacturing folks and the supply chain folks all housed together, we are designing more efficiently, we are designing more effectively, and our costs are lower.

So just to give you a few statistics, this new platform is going to enable us to have forty percent less manufacturing steps and 20% less parts. It's also going to enable us to produce the vehicles 15% faster. All of that translates into better product, better cost structure, better ability to compete. Not just against the domestic competitors, but against the global competitors as well. So this UEV platform we're incredibly excited about. It is on track. We already have sourced about 95% of the parts thus far. We have about two-thirds of the production tools ready to go, and we are already testing the product as well. So it's a very exciting next step for us. It is an investment. I did say that as you just pointed out, we had that \$3 billion that was going to be for the EV losses, and then we had the 0.6 billion last year that was going towards next generation. As we move into 2026, that is going to be increasing. As you move closer to your launch year, those expenses do increase as we're getting ready for that '27 launch. And we are currently going to be changing over our Louisville plant in order to enable that platform launch.

Dan Levy: And the economics, where you've talked about a thirty thousand dollar base price, which I think many of us would call that very, very ambitious if you can make the economics work, what is the line of sight to get your build of materials on track? You're saying you're ninety five percent source. I assume you have line of sight to get the BOM where you need to hit that thirty thousand dollar. And some of these things you've talked about LFP, unicasting, you know, parts reduction- do you have that line of sight?

Sherry House: So what we know is that we are building the most cost-effective vehicle as it compares to other vehicles of its class. That is going to put us in the best position to get the maximum margin. And so we continue to work on this- on this pathway of reducing costs to enable us to get the best pricing possible.

Dan Levy: You've talked about just increased focus on making sure you're hitting proper ROIC and capital efficiency. And I think in the past there was maybe a mentality of "get the product out" and we'll deal- I mean it's just sort of a more of an industry dynamic. Is the mentality now that you will only launch this vehicle if you have line of sight to hit profitability, however you want to define that, early on in the launch?

Sherry House: So as I said, this early on in the launch, you're always going to have launch expenses. It tends to not be as profitable in the beginning as when you look at your life cycle average. So you're going to see improvements over time as you get out of that launch window. You're also going to see step function improvements as we launch additional top hats, because then you are reusing that base technology in the base manufacturing footprint. So that's where you're going to see over time this increased profitability that exists.

Dan Levy: OK. I want to go back to prior comments that you made on cost. And you've given in the past this metric that there's a \$7 billion dollar cost gap between you and your closest competitor. There's a billion structural, and the remaining six is sort of half warranty, half material. So you've made progress on that actually last year. You've made progress this year, you're talking more about it next year. So maybe you can just unpack what we've seen. You talked a bit about warranty. What further line of sight you have to coverage getting better, but the FSAs, and then maybe you can unpack what's going on in material where it seems like that's been really the dominant piece of these savings.



Sherry House: Yeah, so let me first frame it up. So you mentioned the \$7 billion. I reported in our Q2 earnings that we believed, based in our analysis, that we closed the gap to about five and a half. So we think that that was about five and a half billion. We think we've continued to make progress. We don't think that measuring against the competition is really where we need to keep our focus. We put it out there because we want to be honest and transparent about where we are and we want to show our progress points and also kind of rally the troops internally. However, what's most important is that we continue to see this quarter over quarter cost improvement, this five consecutive quarters of year over year cost improvement.

So material cost, yes, if you unpack that a bit, it's coming in a lot of different forms. As I mentioned earlier, one of the things that we've been doing better is building that pipeline of design cost down ideas as you're entering the next year. So when we were going from '24 into '25, and as we're sitting here in '25 going into '26, we're building that pipeline, that queue of ideas that we know have a good reliability, a good chance of being able to be successful, successfully implemented in the year ahead. That gives us a really good head start.

Additionally, we're getting a lot stronger, a lot smarter with respect to how we take each of our products, components, and how we are working with our suppliers to find cost down opportunities to negotiate better pricing over time. So our negotiation skills have also improved quite a bit over time. So that's something that we've been focusing on. There's so many ways in which we are improving, the material cost, but then on the warranty side, it's the initial quality and that goes back to doing really detailed design reviews. It's making sure that you're getting out to all of your suppliers before these products launch and you're checking that the product- the pre-production product approval processes are happening, that all of the run-it rates are happening, and that you're catching those problems earlier so they don't present themselves, you know, within the factory or within you know worse a customer viewing the prop problems later on. So we're doing a lot of front end, we're tracking that with metrics and making sure that that is that's happening on a on a daily basis.

Dan Levy: And that material that includes or excludes some of the EV dynamics, but also I think you've also talked separately about manufacturing, some of the other overhead costs that are separate. Sounds like there's still a lot more wood to chop?

Sherry House: There is. We've continued to get manufacturing efficiencies as well, but part of that is combating increased prices that we have in market factors. So inflation is there, the UAW contract is there, and we have to continually get leaner as an organization. We are doing that. We had implemented for all of our launches a cell manufacturing, cell by cell look, and driving efficiencies in every one of those cells. We're now taking that approach and we are taking it global. And so we're using these methodologies that have worked to drive more efficient processes and we're taking that global.

Dan Levy: OK. I want to talk about technology. I know that that's an area where I think you have more passion. Can we just talk, first of all, what the AV roadmap is at Ford, be it advanced ADAS, to sort of eyes off L3 consumer, what does it look like?

Sherry House: So for us, the L3 is being designed in-house. And one of the things that's really important about this, our next version of our Blue Cruise, version 2.0, is going to be designed largely in-house. And that's going to enable us to have control over our costs, to have control over our roadmap, to have control over the feature releases and the timing of all of that as well. So that's really important to us. There's some really important statistics out there right now that I think are worth sharing. We have at this point about a half a billion miles of hands-free driving, and so that is really important as we move to the next levels of autonomy. We also now have a Blue Cruise car park that exceeds one million units. So these are fantastic statistics that help to show the breadth of what we're doing and the effectiveness of what we're doing as well.



Dan Levy: Electrical architecture - help us understand where this journey is, because you did have FNV 4. That was a more advanced electrical architecture. That was scrapped, I believe, because that was more linked to EVs. So how are you re pivoting to F- I think it's FNV 3.X. How does that journey look and maybe you could just talk about how you're thinking about the resource outlay on this, given it is still on ICE platforms. How are you doing this in an efficient manner?

Sherry House: Well, that was one of the main reasons why we went from the FNV 4 to the FNV 3.X is it gives us the ability to have one electrical architecture that can be used throughout our portfolio. We believe it's a philosophy in the democratization of technology. So we want to have this technology not just on our large super duties for commercial customers, but we also want to have it on these new UEV platforms. The UEV platform with a thirty thousand starting price point. We think it's very important to give customers choice and give them access to technology. So that's going to be a key part of what we are doing on a go-forward basis.

I would say that if I want to just continue on in this theme a little bit because it is something, as you said, I'm passionate about, we're going to also continue to give the customers choice as it relates to Apple CarPlay. We think that that is a product that our customers really enjoy, so we're going to continue to allow them to have access to that. We also are going to bring in Gemini in 2026 as soon as that's available. And, we're also going to continue to develop native apps that are going to enable us to get deeply connected with our customers. We've been doing this already in some of the latest apps and features that we have natively developed within Ford have just gone up at about 20 points in engagement levels from our prior version of SYNC4. So what you're seeing is this combination of bringing the best from the outside, complementing it with what we know about our customer base, complementing it with native apps, and bringing that all together across the entire portfolio of products.

Dan Levy: One last one on this. In light of this push to be, and I think we just addressed it a moment ago, but to be more capital-efficient, what is that balance now of go-it-alone versus having partners on which you can rely on, be it for electrical architecture, network architecture, [Eight App], et cetera? How do you get that right balance?

Sherry House: So, you know, we're going to continue to look at trade-offs and in, you know, buy versus build. And as you look at things like L4, there's probably a much better- much better perspective to be looking at partnerships. And this really goes across all of the decisions that we make for capital outlays. We think that there's wonderful opportunities for partnership. We have some really great partners today. We may have new partners in the future, and this is going to enable us to be much more efficient with that capital outlay over time.

Dan Levy: OK. One last one, on free cash flow or capital allocation before I open it up. The forty to fifty percent distribution of your free cash flow to shareholder returns, is that still the right framework, or does the macro environment change the view on that? And can you hold the base dividend, even if you're maybe outside of the scope of that in in a given year?

Sherry House: I think what I look at most, most important metric, is how is our free cash flow doing? And if you look at our free cash flow today, year-to-date, it's been about \$5.7 billion. We're continuing to have very good free cash flow. Our free cash flow over the last three years has been greater, equal to or greater than 65%, you know, despite our goals of about 50 to 60 percent. So the business is really providing a lot of positive free cash flow. So as we then look at where we're reinvesting and how we're going to be spending that money, it is incredibly important to us to provide consistency to our shareholders. You will notice that at Q3 when we ended, we said that we want to have a minimum of \$20 billion of cash on our balance sheet. We had \$33B. We had \$13 billion of buffer. That buffer enables us to handle the different uncertainties that can happen in a business, a big automotive business like our own, and still be able to provide that level of distribution to our shareholders on a regular, consistent basis. So



I look at free cash flow conversion, I look at usages of the cash, and I also like the fact that we are committed to keeping a strong balance sheet.

Dan Levy: Anything unusual in the pre-cash flow this year related to working capital or restructuring or recall payments that reverses next year or is this a sustainable level?

Sherry House: Well, absolutely. So in Q4, you you'll note that we had \$5.7 billion of year to date free cash flow by the time we ended Q3. We then guided at the end of Q3 that we would have \$2 billion to \$3 billion in free cash flow for the year. We are going to have negative free cash flow in Q4, and the reason for that is Novelis. And that is expected whenever we've had big events happen, supply shocks like COVID, things like this in the future, what happens is you continue to pay your payables at a heightened rate, but your wholesales are reduced when you're taking your wholesales down, like we mentioned by 90,000 to 100,000 units. So you are going to see a free cash flow impact in Q4, and that does have a reversal effect as we get into 2026, as we have that makeup capacity. And over time, what you're going to see happen is that there's going to be an adjustment where eventually that free cash flow is going to match the EBIT.

Dan Levy: We have time to squeeze in one question. Any questions in the room?

Audience Member: On the opportunity front, I look at Ford Pro, is your European business, ballpark, similar margins as what we see with Ford Pro, you know, consolidated? And if true, what does that imply about the passenger car European business in Europe and how that's operating, your scale? Is that an area that could be under strategic review? I'm just kind of thinking about the opportunity because I think Ford Pro Europe does pretty well, but I don't know if you've actually confirmed that?

Sherry House: Yeah, so I would say- I can talk in general terms about it. So you're going to see the same type of phenomenon in Europe as you're seeing in the United States. You're going to have a very strong Pro business, the margins are going to be stronger there. Now in Europe, you're dominated a bit more in EV. So you're going to have that pressure downward on the EV profitability relative to the profitability of Pro. So that is going to bring you down. But while that compliance environment remains as it is, it's going to be important for us to continue to maintain that mix. We've got a fresh lineup of EV products. We just had the best order take that we've had with these products in Q3. So we know that those products are in strong demand, which is great for us.

Audience Member: And then the flip side of that, if Ford Pro Europe is doing well, with nice prospects in the next several years, what about the passenger car or the retail pass car side of Ford Europe? Is that something that is under strategic review in terms of restructuring, downsizing? I assume it's a fairly tough outlook for Europe, but-

Sherry House: Well, that's where I was just referring to the EVs and the fact that that we have those three products out there right now that are doing quite well. We have other products in market as well. And yes, we're always under strategic review. As we've said before, we recognize clearly what's happening in the market today and we'll share more information as we can.

Audience Member: Thank you.

Sherry House: Yeah. You're welcome.

Dan Levy: All right, we'll leave it there. Sherry, Lynn, Grace, thank you so much.

Sherry House: Thank you. What a pleasure.